



FINAL ANNUAL BUDGET

2020/2021 TO 2022/2023

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

TABLE OF CONTENTS

PART 1: ANNUAL BUDGET

1.1. EXECUTIVE SUMMARY	3
1.2. LEGISLATION	3
1.3. MFMA CIRCULARS	4
1.4. BUDGET PROJECTION	5
1.5. HIGH LEVEL OPERATING BUDGET SUMMARY	7
1.6. SUMMARY OF OPERATING REVENUE AND EXPENDITURE	9
1.7. OPERATING REVENUE FRAMEWOK	10
1.8. SUMMARY OF OPERATING REVENUE BY SOURCE	10
1.9. SUMMARY OF OPERATING EXPENDITURE	15
1.10. CAPITAL EXPENDITURE	20
1.11. ALIGNMENT OF BUDGET AND IDP	27
1.12. PERFORMANCE OBJECTIVES AND INDICATORS	30
1.13. BUDGET FUNDING AND COMPLIANCE	31
1.14. MONTHLY TARGETS FOR REVENUE	31
1.15. FINANCIAL SUSTAINABILITY	31
1.16. MSCOA PROGRESS	32
1.17. COMPLIANCE STATUS	32
1.18. PROCUREMENT PLAN	33
1.19. RECOMMENDATIONS	33
1.20. APPENDIS	34
1.21. QUALITY CERTIFICATE	35

1.1 EXECUTIVE SUMMARY

The final 2020/2021 to 2022/2023 Medium Term Revenue and Expenditure Framework (MTREF) Budget deals with the operating budget and tariff proposals as well as the capital budget and funding sources proposals to ensure that Mafube Local Municipality render services to local community in a financially sustainable manner. The application of sound financial management principles for the compilation of Mafube's Long-Term Financial Plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The process of developing the municipality's annual budget is largely guided by the strategic thrusts and operational priorities of Mafube's Integrated Development Plan (IDP) as well as the MTREF that sets out the expected annual revenue and projected expenditure for the budget year under consideration, plus the two outer years. The MTREF Budget Report starts with a discussion of the legislative requirements to which the Municipality must adhere, the MFMA budget circulars with directives issued by National Treasury and the key budget projections for the next three financial years based on these documents and assumed economic trends. A high level summary of the operating and capital budgets as well as a discussion on the long-term financial sustainability of Mafube will follow with appropriate recommendations. Supporting information in the form of appendices and tables will form part of this report.

1.2 LEGISLATION

In terms of section 15 to 24 of the MFMA, the municipal Council must at least 30 days before the start of the budget year consider approval of the final annual budget. The budget must be approved before the start of the budget year and is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i)

- Must be approved together with the adoption of resolutions as may be 17(3)(a)(i); and necessary;
- Imposing any municipal tax for the budget year;
- Setting any municipal tariffs for the budget year;

- Approving measurable performance objectives for revenue from each source and for each vote in the budget;
- Approving any changes to the municipality's integrated development plan
- Approving any changes to the municipality's budget-related policies. source and for each vote in the budget; plan; and

The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

An annual budget of a municipality must be a schedule in the prescribed format setting out:

- realistically anticipated revenue for the budget year from each revenue source;
- appropriating expenditure for the budget year under the different votes of the municipality;
- setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year; setting out estimated revenue and expenditure by vote for the current year;
- and actual revenue and expenditure by vote for the financial year preceding the current year; and statement containing any other information required by section 215 (3) of the Constitution or as may be prescribed.

The annual budget must generally be divided into a capital and operating budget in accordance with international best practice, as may be prescribed.

1.3 MFMA CIRCULARS

When compiling an annual budget in terms of legislation the budget circulars from National Treasury must also be taken into consideration. MFMA Circular No 98 and 99 will now be discussed.

National Treasury issued two budget circulars during December 2019 and March 2020. MFMA

Budget Circular No 98 issued on 6 December 2019 is attached hereto as Appendix 1 and MFMA

Budget Circular No 99 issued on 9 March 2020 is attached hereto as Appendix 2.

Both of these circulars deal with,:

- the key focus areas for the 2020/2021 budget process;
- Local Government Conditional Grants and additional allocations; Municipal Standard Chart of Accounts(mSCOA);
- reporting indicators;
- borrowing for capital infrastructure;
- maximising the revenue generation of the municipal revenue base;
- Eskom bulk tariff increases;
- water conservation and water demand management;
- funding choices and management issues relating to employee related costs and remuneration of councillors;
- conditional transfers to municipalities;
- the Municipal Budget and Reporting Regulations;
- and, the budget process and submissions of the 2020/2021 to 2022/2023 MTREF.

All of the issues effecting the compilation of our budget to ensure that our anticipated revenue streams and funding sources for our operating and capital budgets are affordable and sustainable were taken into consideration. This was also taken into consideration when the budget related policies were reviewed.

1.4 BUDGET PROJECTIONS

In Table 1 below the budget projection issues are depicted with the last two years actual percentage increases and the assumed next three financial year's increases. Based on the financial framework, financial strategies policies featuring in the Long-Term Financial Plan,

the MTREF Budget was compiled. Key assumptions relating to the MTREF Budget also includes the following:

- National government grants for the years 2020/2021 to 2022/2023 are as per the Division of Revenue Bill (DoRA);
- Provincial government grants for the years 2020/2021 to 2022/2023 are as promulgated in the Division of Revenue Bill;
- The headline inflation rate (consumer price index or CPI) was 4.7% for the 2018/2019 financial year and is estimated at 4.1% for the 2019/2020 financial year. The estimated CPI for the 2020/2021 financial year is 4.5% and for the next two indicative financial years at 4.6% (2021/2022) and 4.6% (2022/2023) respectively (National Treasury MFMA Circular No 99 dated 9 March 2020);
- The South African Local Government Bargaining Council (SALGBC) determines the cost of living increases by mutual agreement between the employer and the unions. A three (3) year wage agreement was concluded on 15 August 2018 providing guidance for the period starting from 1 July 2018 to 30 June 2021. This agreement prescribes the use of the projected CPI increase for 2019/ 2020 financial year, plus 1.25% for the 2020/2021 financial year. The 2020/2021 financial year is the last year of the current agreement and a new agreement will have to be negotiated. However, the remaining two years were estimated using the same principle;

TABLE 1: 2020/2023 MTREF KEY BUDGET PROJECTIONS

Description	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
GROWTH PARAMETERS					
GDP Growth	0,70%	0,30%	0,90%	1,30%	1,60%
Headline inflation rate	4,70%	4,10%	4,50%	4,60%	4,60%
EMPLOYEE RELATED COST					
Wage bill cost of living increases	7,00%	6,70%	5,75%	6,15%	6,15%
Estimated Notch increases			2,40%	2,40%	2,40%
REVENUE INCREASES					
Property rates	30,533,270,00	19,374,080,91	33,522,178,19	35,064,198,00	36,677,151,51
Service charges - water revenue	35,683,168,00	43,370,940,10	45,366,003,00	47,452,839,00	49,635,670,00
Service charges - sanitation revenue	16,469,304,30	19,791,179,74	20,701,574,00	21,653,846,00	22,649,923,00
Service charges - refuse revenue	15,046,656,00	14,429,623,19	15,093,386,00	15,787,682,00	16,513,915,00
GRANTS: NATIONAL DEPARTMENTS					
Local Government Equitable Share	86,279,000,00	95,847,000,00	103,074,000,00	111,181,000,00	118,715,000,00
Finance Management Grant	2,415,000,00	2,880,000,00	3,000,000,00	3,300,000,00	3,300,000,00
EPWP Incentive	-	1,000,000,00	-	-	-
Municipal Infrastructure Grant (MIG)	22,064,000,00	22,444,000,00	22,318,000,00	23,942,000,00	25,130,000,00
Water services infrastructure grant	15,000,000,00	10,000,000,00	15,000,000,00	20,000,000,00	20,960,000,00
Integrated National Electricity Programme Grant	-	5,000,000,00	5,276,000,00	10,192,000,00	9,099,000,00

1.5 HIGH LEVEL OPERATING BUDGET SUMMARY

The high level final operating budget per vote is set out in Table A4 below. The classifications as per the revised mSCOA government financial statistics votes are used by National Treasury to compare budget trends in local government.

The tabled operating budget depicts a deficit of R176 598 794 for the 2020/2021 financial year.

Calculations at the bottom of Table A4 below confirms the operational deficit of R176 598 794 compared with the 2019/2020 adjustments budget operating surplus of R366.

The operating budget is financed through realistically anticipated revenue streams and with the increased investment in infrastructure, the Municipality projects a broadening of its current tax base. This will result in additional revenue that will flow into the municipal coffers but this growth has not been taken into consideration and will be evaluated during the year.

FS205 Mafube - Table A4 Budgeted Financial Performance (revenue and expenditure)

2020/21 Medium Term Revenue & Expenditure Framework - Table A: Budgeted Financial Performance (Revenue and Expenditure)									
Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue By Source									
Property rates	2	23,319,097.00	29,793,020.00	–	19,374,080.91	32,047,972.00	33,522,178.19	35,064,198.00	36,677,151.51
Service charges - electricity revenue	2	-	-	–	-	-	-	-	-
Service charges - water revenue	2	33,803,437.00	39,591,482.00	–	43,370,940.10	43,370,940.10	45,366,003.00	47,452,839.00	49,635,670.00
Service charges - sanitation revenue	2	17,010,671.00	19,306,386.00	–	19,791,179.74	19,791,179.74	20,701,574.00	21,653,846.00	22,649,923.00
Service charges - refuse revenue	2	11,602,347.23	11,682,862.00	–	14,429,623.19	14,429,623.19	15,093,386.00	15,787,682.00	16,513,915.00
Rental of facilities and equipment		135,250.00	130,138.00		159,869.00	159,869.00	167,222.97	174,915.23	182,961.33
Interest earned - external investments		122,769.00	879,902.00		216,136.00	216,136.00	226,078.26	236,477.86	247,355.84
Interest earned - outstanding debtors		23,607,036.00	16,028,618.00		27,904,159.00	16,028,618.00	16,765,934.00	17,537,167.00	18,343,877.00
Dividends received		2,567,331.00	2,270,449.00		3,034,654.96	3,034,654.96	3,174,249.08	3,320,264.54	3,472,996.71
Fines, penalties and forfeits		125,327.00	9,250.00		210,400.00	210,400.00	220,078.40	230,202.01	240,791.30
Licences and permits						-			
Agency services						-			
Transfers and subsidies		91,448,944.00	91,262,369.00		101,794,000.00	101,794,000.00	106,074,000.00	114,481,000.00	122,015,000.00
Other revenue	2	3,596,649.00	898,391.00	–	373,719.00	373,719.00	805,910.00	408,891.94	427,700.96
Gains		2,191,000.00	585,000.00						
Total Revenue (excluding capital transfers and contributions)		209,529,858.23	212,437,867.00	–	230,658,761.89	231,457,111.98	242,116,613.91	256,347,483.57	270,407,342.66
Expenditure By Type									
Employee related costs	2	83,924,907.00	84,856,881.00	–	99,134,454.16	99,134,454.16	104,793,564.82	109,614,068.80	114,656,315.96
Remuneration of councillors		5,487,409.00	5,800,615.00		6,450,487.84	6,450,487.84	6,733,332.00	7,043,065.27	7,367,046.27
Debt impairment	3	99,956,040.00	83,350,500.00		9,630,000.00	47,031,000.00	87,101,272.50	91,107,931.04	95,298,895.86
Depreciation & asset impairment	2	55,930,957.00	55,218,611.00	–	15,260,000.00	5,260,000.00	57,703,448.50	60,357,807.13	63,134,266.25
Finance charges		42,519,369.00	41,287,517.00		7,349,200.00	7,349,200.00	43,145,455.27	45,130,146.21	47,206,132.93
Bulk purchases	2	20,231,330.00	40,261,545.00	–	2,578,000.00	2,578,000.00	42,073,314.53	44,008,686.99	46,033,086.59
Other materials	8								
Contracted services		2,524,582.00	1,929,523.00	–	6,500,000.00	5,000,000.00	5,230,000.00	5,470,580.00	5,722,226.68
Transfers and subsidies		3,428,952.00	-	–	-	-	-	-	-
Other expenditure	4, 5	64,878,674.00	38,592,645.00	–	75,983,558.56	58,653,603.56	71,935,020.13	75,244,031.06	78,705,256.49
Losses		3,068,978.00							
Total Expenditure		381,951,198.00	351,297,837.00	–	222,885,700.55	231,456,745.55	418,715,407.74	437,976,316.49	458,123,227.05
Surplus/(Deficit)		-172,421,339.77	-138,859,970.00	–	7,773,061.34	366.43	-176,598,793.83	-181,628,832.92	-187,715,884.39
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		4,808,273.00	19,432,988.00		37,444,000.00	37,444,000.00	42,594,000.00	54,134,000.00	55,189,000.00
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6								
Transfers and subsidies - capital (in-kind - all)									
Surplus/(Deficit) after capital transfers & contributions		-167,613,066.77	-119,426,982.00	–	45,217,061.34	37,444,366.43	-134,004,793.83	-127,494,832.92	-132,526,884.39
Taxation									
Surplus/(Deficit) after taxation		-167,613,066.77	-119,426,982.00	–	45,217,061.34	37,444,366.43	-134,004,793.83	-127,494,832.92	-132,526,884.39
Attributable to minorities									
Surplus/(Deficit) attributable to municipality		-167,613,066.77	-119,426,982.00	–	45,217,061.34	37,444,366.43	-134,004,793.83	-127,494,832.92	-132,526,884.39
Share of surplus/ (deficit) of associate	7								
Surplus/(Deficit) for the year		-167,613,066.77	-119,426,982.00	–	45,217,061.34	37,444,366.43	-134,004,793.83	-127,494,832.92	-132,526,884.39

1.6 SUMMARY OF OPERATING REVENUE AND EXPENDITURE

In Table A4 below the same information as in Tables A2 and A3 are split up between operating revenue, operating expenditure and grants utilised for capital expenditure. The net results stay the same.

Anticipated operating revenue for 2020/2021 is estimated at R242 116 614 or R10 659 503 (4.4%) more than the 2019/2020 approved adjustments budget revenue of R231 457 111. The increase includes an amount of R7 227 000 (R103 074 000- R95 847 000) which relates to the projected increase in the Equitable Share which is above the published CPI. For the 2021/2022 and 2022/23 financial years the annual budgeted revenue amounts to R246.3 million which represents an increase of 9.7% and R270.4 million which represents an increase of 14.4% respectively.

Operating expenditure for 2020/2021 is estimated at R418 715 408 or R186 258 663 (44.5%) more than the adjustments budget expenditure of R231 456 745 for 2019/2020 financial year. The 44.5% increase is as a result of bulk purchases and non-cash items that have been appropriately budgeted for.

The allocation for the outer years is R 437.9 million and R 458.1 million respectively.

FS205 Mafube - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1								
Revenue By Source									
Property rates	2	23,319,097.00	29,793,020.00	–	19,374,080.91	32,047,972.00	33,522,178.19	35,064,198.00	36,677,151.51
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–
Service charges - water revenue	2	33,803,437.00	39,591,482.00	–	43,370,940.10	43,370,940.10	45,366,003.00	47,452,839.00	49,635,670.00
Service charges - sanitation revenue	2	17,010,671.00	19,306,386.00	–	19,791,179.74	19,791,179.74	20,701,574.00	21,653,846.00	22,649,923.00
Service charges - refuse revenue	2	11,602,347.23	11,682,862.00	–	14,429,623.19	14,429,623.19	15,093,386.00	15,787,682.00	16,513,915.00
Rental of facilities and equipment		135,250.00	130,138.00		159,869.00	159,869.00	167,222.97	174,915.23	182,961.33
Interest earned - external investments		122,769.00	879,902.00		216,136.00	216,136.00	226,078.26	236,477.86	247,355.84
Interest earned - outstanding debtors		23,607,036.00	16,028,618.00		27,904,159.00	16,028,618.00	16,765,934.00	17,537,167.00	18,343,877.00
Dividends received		2,567,331.00	2,270,449.00		3,034,654.96	3,034,654.96	3,174,249.08	3,320,264.54	3,472,996.71
Fines, penalties and forfeits		125,327.00	9,250.00		210,400.00	210,400.00	220,078.40	230,202.01	240,791.30
Licences and permits						–			
Agency services						–			
Transfers and subsidies		91,448,944.00	91,262,369.00		101,794,000.00	101,794,000.00	106,074,000.00	114,481,000.00	122,015,000.00
Other revenue	2	3,596,649.00	898,391.00	–	373,719.00	373,719.00	805,910.00	408,891.94	427,700.96
Gains		2,191,000.00	585,000.00						
Total Revenue (excluding capital transfers and contributions)		209,529,858.23	212,437,867.00	–	230,658,761.89	231,457,111.98	242,116,613.91	256,347,483.57	270,407,342.66
Expenditure By Type									
Employee related costs	2	83,924,907.00	84,856,881.00	–	99,134,454.16	99,134,454.16	104,793,564.82	109,614,068.80	114,656,315.96
Remuneration of councillors		5,487,409.00	5,800,615.00		6,450,487.84	6,450,487.84	6,733,332.00	7,043,065.27	7,367,046.27
Debt impairment	3	99,956,040.00	83,350,500.00		9,630,000.00	47,031,000.00	87,101,272.50	91,107,931.04	95,298,895.86
Depreciation & asset impairment	2	55,930,957.00	55,218,611.00	–	15,260,000.00	5,260,000.00	57,703,448.50	60,357,807.13	63,134,266.25
Finance charges		42,519,369.00	41,287,517.00		7,349,200.00	7,349,200.00	43,145,455.27	45,130,146.21	47,206,132.93
Bulk purchases	2	20,231,330.00	40,261,545.00	–	2,578,000.00	2,578,000.00	42,073,314.53	44,008,686.99	46,033,086.59
Other materials	8								
Contracted services		2,524,582.00	1,929,523.00	–	6,500,000.00	5,000,000.00	5,230,000.00	5,470,580.00	5,722,226.68
Transfers and subsidies		3,428,952.00	–	–	–	–	–	–	–
Other expenditure	4, 5	64,878,674.00	38,592,645.00	–	75,983,558.56	58,653,603.56	71,935,020.13	75,244,031.06	78,705,256.49
Losses		3,068,978.00							
Total Expenditure		381,951,198.00	351,297,837.00	–	222,885,700.55	231,456,745.55	418,715,407.74	437,976,316.49	458,123,227.05
Surplus/(Deficit)		-172,421,339.77	-138,859,970.00	–	7,773,061.34	366.43	-176,598,793.83	-181,628,832.92	-187,715,884.39

1.7 OPERATING REVENUE FRAMEWORK

For Mafube Municipality to continue improving the quality of services provided to its citizens, it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditure against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macro-economic policy;
- Growth in the Municipality and continued economic development;

- Efficient revenue management, which aims to ensure a 65 per cent (65%) annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- The implementation of the new valuation roll;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Council.

1.8 SUMMARY OF OPERATING REVENUE BY SOURCE

Property rates and taxes

It must be noted that Mafube Local Municipality is in the process of implementing a new valuation roll. The municipality expects to bill R 33.5 million for the year 2020/2021 on Property Rates, income from this source of revenue is projected at R35 million and R36.6 million respectively for the two outer years. The municipality will be implementing the new valuation roll effective from 01 July 2020.

FS205 Mafube - Table A1 Budget Summary

Description	2016/17	2017/18	2018/19	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Financial Performance								
Property rates	23,319	29,793	–	19,374	32,048	33,522	35,064	36,677
Service charges	62,416	70,581	–	77,592	77,592	81,161	84,894	88,800
Investment revenue	123	880	–	216	216	226	236	247
Transfers recognised - operational	91,449	91,262	–	101,794	101,794	106,074	114,481	122,015
Other own revenue	32,223	19,922	–	31,683	19,807	21,133	21,671	22,668
Total Revenue (excluding capital transfers and contributions)	209,530	212,438	–	230,659	231,457	242,117	256,347	270,407

Service charges

Service charges comprise of the following: water, refuse removal and sanitation. All service charges will increase by 4.5% as per the projected inflation rate. With these increases the services charges for 2020/2021 budget will amount to R 81 160 963.

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

- Water is the largest revenue source totalling R 45 366 003, an increase of 4.4%, R1.9 million from 2019/2020 Adjustment Budget. The outlook for the outer two years of the MTREF period is projected at R47.4 million and R49.6 million respectively;
- The second largest source is sanitation which totals to R 20 701 574, an increase of 4.4%, R910 394 from last year, and a further contribution of R21.6 million, and R22.6 million for 2021/2022 and 2022/2023 respectively;
- Refuse is the third largest source of revenue totalling R 15 093 386 for the budget year,
R 15.7 million and R 16.5 million respectively;

The financial sustainability of 2020/2021 to 2022/2023 MTREF is largely dependent on the collection level of billed income. Provision is made for a collection level of close to 65%, to improve from this, the municipality will have to implement more robust credit control measures.

Revenue generated from property rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise **29%** of the total revenue mix. In the 2020/21 financial year, revenue from rates and services charges totalled **R114 million**. In the above table, revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality have been taken into account for both property rates and service charges.

Tariffs, rates and surcharges increase for municipal services and other:

- Assessment Rates: 4.50%
- Water: 4.50%
- Sewer: 4.50%
- Refuse: 4.50%
- Other: 4.50%
- Electricity tariffs will be increased by 6.08% (on average) for the 2020/2021 Financial Year and this is within the allowable threshold of 6.23% as prescribed by the National Electricity Regulator of South Africa (NERSA)

Cash and Investments

Section 17(3)(f) of the MFMA determines that as part of the budget resolutions, particulars of the

municipality's investments must be disclosed. Mafube as at 18 May 2020 had

R15 million cash reserves at the following banking institutions:

a) Absa current account	:R	25 834.45
b) Absa investment account	:R	1 307.00
c) FNB current account	:R	14 584.81
d) FNB investment account	:R	<u>15 232 971.06</u>
TOTAL		<u>R15 274 697.32</u>

FS205 Mafube - Table A7 Budgeted Cash Flows

S 205 Marubé - Table A7 Budgeted Cash Flows												
Description		Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates						14,727	13,836			14,472	15,138	15,834
Service charges			92,133	167,299		16,984	36,405			38,080	39,831	41,663
Other revenue			4,936	2,073		744	374			411	409	428
Transfers and Subsidies - Operational		1	87,187	85,148		101,794	101,794			108,307	116,892	122,015
Transfers and Subsidies - Capital		1				37,944	37,944			42,594	54,134	55,189
Interest			23,730	16,909		216	216			226	236	247
Dividends						3,035	3,035			3,174	3,320	3,473
Payments												
Suppliers and employees			(157,031)	(228,618)		(124,487)	(146,987)			(174,490)	(182,517)	(190,912)
Finance charges			(42,519)	(41,288)		(4,723)	(4,723)			(49,194)	(51,457)	(53,824)
Transfers and Grants		1					(3,800)			-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES			8,435	1,523	-	46,235	38,094	-	-	(16,421)	(4,013)	(5,887)
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE										-	-	-
Decrease (increase) in non-current receivables										-	-	-
Decrease (increase) in non-current investments										-	-	-
Payments												
Capital assets			(6,900)	(132)		(44,672)	(37,444)			(41,493)	(53,550)	(54,661)
NET CASH FROM/(USED) INVESTING ACTIVITIES			(6,900)	(132)	-	(44,672)	(37,444)	-	-	(41,493)	(53,550)	(54,661)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans										-	-	-
Borrowing long term/refinancing										-	-	-
Increase (decrease) in consumer deposits										-	-	-
Payments												
Repayment of borrowing			(544)	(507)						-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES			(544)	(507)	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD			990	883	-	1,563	650	-	-	(57,914)	(57,564)	(60,548)
Cash/cash equivalents at the year begin:		2	635	1,625						-	(57,914)	(115,478)
Cash/cash equivalents at the year end:		2	1,625	2,509	-	1,563	650	-	-	(57,914)	(115,478)	(176,026)

The municipal cash flow was projected at a deficit of R 57 914 000.00 for the budget year, R 57.5 million for 2021/2022 financial period and R 80.5 million for 2022/2023. This is due to the current poor revenue collection, however, we have developed a financial turnaround strategy improve collection, amongst other things.

Operating Grants

Monetary allocations are as per 2020/2021 DoRA published by the National Treasury.

Grants	2020/21	2021/22	2022/23
Local Government Equitable Share	103,074,000.00	111,181,000.00	118,715,000.00
Finance Management Grant	3,000,000.00	3,300,000.00	3,300,000.00
Total	106,074,000.00	114,481,000.00	122,015,000.00

In-kind allocations

GRANTS	2020 / 21	2021 / 22	2022 / 23
Municipal Systems Improvement Grant	2,300,000.00	500,000.00	-
Integrated National Electrification Grant (Eskom)	40,000.00	47,000.00	56,000.00

Capital Grants

Monetary allocations

GRANTS	2020 / 21	2021 / 22	2022 / 23
Municipal Infrastructure Grant (MIG)	22,318,000.00	23,942,000.00	25,130,000.00
Water Services Infrastructure Grant (WSIG)	15,000,000.00	20,000,000.00	206,960,000.00
Integrated National Electrification Grants (INEP)	10,232,000.00	10,192,000.00	9,099,000.00

In-kind allocations

GRANTS	2020 / 21	2021 / 22	2022 / 23
Regional Bulk Infrastructure Grant	40,000,000.00	47,500,000.00	18,975,000.00

Grants performance for the 2019 / 20 financial period

GRANT	TOTAL GRANT AMOUNT RECEIVED	TOTAL GRANT AMOUNT SPENT	TOTAL GRANT AMOUNT STILL TO BE SPENT/BALANCE AS PER BANK STATEMENT
MIG	22,281,000.00	18,419,141.24	3,861,858.76
EPWP	1,000,000.00	1,004,180.00	-
FMG	2,880,000.00	3,349,996.29	-
WSIG	14,000,000.00	8,687,688.52	5,312,311.48
INEP	7,000,000.00	6,064,359.94	935,640.06
DISASTER MAN	447,000.00	-	447,000.00
	39,161,000.00	30,456,826.05	9,174,170.24

1.9 SUMMARY OF OPERATING EXPENDITURE FRAMEWORK

The municipality's expenditure framework for the 2020/2021 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating

revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;

- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of no project plans no budget. If there is no business plan no funding allocation can be made.

The total consolidated operating expenditure is projected at R418.7 million in the 2020/2021 representing an increase of projected operating expenditure of R187.3 million (44.7%) on the 2019/2020 adjusted budget of R231.4 million. The allocation for the outer years is R437.9 million and R458.1 million respectively.

The following table gives a breakdown of the main expenditure categories for the 2020/2021 financial year

FS205 Mafube - Table A4 Budgeted Financial Performance (revenue and expenditure)

PS205 Marubee - Table A4 Budgeted Financial Performance (revenue and expenditure)									
Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Expenditure By Type									
Employee related costs	2	83,924,907.00	84,856,881.00	–	99,134,454.16	99,134,454.16	104,793,564.82	109,614,068.80	114,656,315.96
Remuneration of councillors		5,487,409.00	5,800,615.00		6,450,487.84	6,450,487.84	6,733,332.00	7,043,065.27	7,367,046.27
Debt impairment	3	99,956,040.00	83,350,500.00		9,630,000.00	47,031,000.00	87,101,272.50	91,107,931.04	95,298,895.86
Depreciation & asset impairment	2	55,930,957.00	55,218,611.00	–	15,260,000.00	5,260,000.00	57,703,448.50	60,357,807.13	63,134,266.25
Finance charges		42,519,369.00	41,287,517.00		7,349,200.00	7,349,200.00	43,145,455.27	45,130,146.21	47,206,132.93
Bulk purchases	2	20,231,330.00	40,261,545.00	–	2,578,000.00	2,578,000.00	42,073,314.53	44,008,686.99	46,033,086.59
Other materials	8								
Contracted services		2,524,582.00	1,929,523.00	–	6,500,000.00	5,000,000.00	5,230,000.00	5,470,580.00	5,722,226.68
Transfers and subsidies		3,428,952.00	-	–	-	-	-	-	-
Other expenditure	4, 5	64,878,674.00	38,592,645.00	–	75,983,558.56	58,653,603.56	71,935,020.13	75,244,031.06	78,705,256.49
Losses		3,068,978.00							
Total Expenditure		381,951,198.00	351,297,837.00	–	222,885,700.55	231,456,745.55	418,715,407.74	437,976,316.49	458,123,227.05

Employee related cost

The current Salary and Wage Collective Agreement covers a period period 01 July 2018 to 30 June 2021 which indicate that for the financial 2020/2021 salaries should be increased with CPI plus 1.5% which is 6%

The projected expenditure for employee related costs will increase from R99 million to R104.7 million representing a growth of 5.4% (R5.6 million). The indicative allocations for the two outer years of the MTREF period are R109.6 million and R114.6 million respectively. The budget, excluding Councillors remuneration, equals to **25%** of the total operating expenditure. Filling of critical positions in terms of the approved organisational structure were considered as well as the annual increment based on the wage agreement.

Remuneration of Councillors

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published by the Department of Cooperative Governance. Any overpayment to Councillors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of section 167 of the MFMA and must be recovered from the Councillor(s) concerned.

Section 17(3)(k) of the MFMA determines that as part of the budget resolutions the proposed cost

to the municipality for the budget year of the salary, allowances and benefits of each political office

bearer, Municipal Manager, Chief Financial Officer and senior manager reporting to the Municipal

Manager must be disclosed. Since the above-mentioned do not qualify for notch increases an overall increase percentage of 4.0% were used.

The total proposed cost to the municipality packages budgeted for Councillors, based on a Grading of 3 calculated in terms of Government Notice March 2020, are:

a) Mayor	:R860 859
b) Speaker	:R688 688
c) Exco members	:R370 768
d) Portfolio committee chairpersons	:R349 618
e) Ordinary Council members	:R272 430

Section 56 managers remuneration

With regard to senior managers (Municipal Manager and section 56 managers reporting directly to the Municipal Manager) the total proposed cost to the municipality packages budgeted for senior management are:

a) Municipal Manager	:R1 442 102
b) Chief Financial Officer	:R1 063 115
c) Director: Corporate Services	:R1 063 115
d) Director: Planning and Infrastructure	:R1 063 115
e) Director: Community Services	:R 930 224

Depreciation

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy as well as the GRAP standards. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years. The recurring audit finding from the Auditor General in terms of the depreciation was also taken into account when compiling the budget.

Repairs and Maintenance

On repairs and maintenance, the Municipality will spend R18.5 million in 2020/2021 Financial Year which represents 4.4% of the total expenditure budget for 2020/2021. The allocation for the two years of the MTREF is R19.3 million and R20.2 million respectively. Repairs and Maintenance comprise of, amongst others, the purchase of materials for maintenance of roads, water and sanitation infrastructure.

Due to the ongoing financial constraints, the municipality could not make adequate provision for the repairs and maintenance of assets, at the moment, it is projected that the municipality can only be able to afford the R 18 million budget. The budget is 3.6% less than the recommended threshold of 8% for repairs and maintenance as set by National Treasury.

Finance charges

Finance charges consist primarily of the payment of interest on arrears creditors' accounts amounting to R43 145 455 for 2020/21, R 45.1 million for 2021/2022 and R 47.2 million for 2022/2023.

Municipal revenue and cash flows are expected to remain under pressure due to the high balance in Rural maintenance and Eskom debt.

Other expenditure

Other expenditure comprises various line items relating to the daily operations of the municipality and totals R 77 165 020 for the 2020/2021 budget period as well as R 75.2 million and R 78.7million for 2021/2022 and 2022/2023 respectively.

Debts impairment

A provision of R87 101 272 for debt impairment is made for 2020/2021, for 2021/22 and 2022/2023 respectively, it amounts to R 91.1 million and R 95.2 million. This forms one of

the non-cash items and was informed by impairment of outstanding debtors amounting to R83 350 500 and the audited performance for 2017/2018.

Indigents

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services, the households are required to register in terms of the Municipality Indigent Policy. The target is to register 10 000 or more indigent households during the 2020/2021 financial year, a process reviewed annually.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

Bulk purchases

Bulk purchases for water services will increase from R2.5 million to R42 million representing a growth of 87.7% (R39.5 million). The allocation for the two outer years of the MTREF is R44 million and R46 million respectively.

Operating expenditure per department

FS205 Mafube - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)A

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<u>Expenditure by Vote</u>	1									
Vote 1 - Office of the Mayor		–	–	–	4,355	4,355	–	4,555	4,764	4,984
Vote 2 - Office of the Speaker		8,324	6,305	–	10,852	10,852	–	11,338	11,859	12,405
Vote 3 - Office of the Municipal Manager		10,618	3,317	–	53,253	52,253	–	54,656	57,170	59,800
Vote 4 - Community Services		–	–	–	11,973	11,973	–	12,524	13,100	13,703
Vote 5 - Corporate services		119,953	104,727	–	29,834	26,736	–	30,694	32,106	33,583
Vote 6 - Financial Services		209,511	183,884	–	69,612	85,881	–	215,398	225,306	235,670
Vote 7 - Infrastructure services		33,545	53,066	–	43,008	39,408	–	89,551	93,670	97,979
Total Expenditure by Vote	2	381,951	351,298	–	222,886	231,457	–	418,715	437,976	458,123

The increased budget for the financial services department is informed mainly by finance charges as well as the non-cash items such as provision for debt and assets impairment.

The Office of the Mayor's budget was slightly reduces for allocation towards service delivery.

1.10 CAPITAL EXPENDITURE

Table A5 below depicts the capital programme per funding source over the MTREF.

It is notable that grant funding contribute 100% of the total capital budget expenditure for the 2020/2021 financial year. The total projected investment in the Municipal economy over the MTREF period will thus be R155.7 million. The capital budget is funded from capital grants, that is; Municipal Infrastructure Grant (MIG), Integrated Electrification Programme (INEG) and the Water Services Infrastructure Grant (WSIG).

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Capital Expenditure - Functional											
<i>Governance and administration</i>		2,239,788.00	132,490.00	-	7,450	2,950	-	-	-	-	3,000,000.00
Finance and administration		2,239,788.00	132,490.00		7,450	2,950					3,000,000.00
<i>Community and public safety</i>		-	-	-	680	680	-	-	1,469,482.00	1,077,390.00	1,256,500.00
Community and social services					400	400					
Sport and recreation					280	280			1,469,482.00	1,077,390.00	1,256,500.00
<i>Economic and environmental services</i>		-	-	-	1,537	1,537	-	-	3,678,180.51	-	9,086,387.00
Road transport					1,537	1,537			3,678,180.51	-	9,086,387.00
<i>Trading services</i>		-	222,559.00	-	24,505	24,505	-	-	41,286,437.41	51,859,510.00	40,589,614.00
Energy sources					5,000	5,000			10,232,000.00	10,192,000.00	9,099,000.00
Water management					17,163	17,163			31,054,437.41	41,667,510.00	31,490,614.00
Waste water management					2,342	2,342					
Waste management			222,559.00			-					
<i>Other</i>		4,660,503.00	19,503,291.00		10,500	10,500			15,397.00	613,478.00	728,366.00
Total Capital Expenditure - Functional	3	6,900,291.00	19,858,340.00	-	44,672	40,172	-	-	46,449,496.92	53,550,378.00	54,660,867.00
Funded by:											
National Government		4,660,503.00	19,503,291.00		36,822	36,822			46,449,496.92	53,550,378.00	54,660,867.00
Transfers recognised - capital	4	4,660,503.00	19,503,291.00	-	36,822	36,822	-	-	46,449,496.92	53,550,378.00	54,660,867.00
Borrowing	6										
Internally generated funds		2,239,788.00	355,049.00		7,850	3,350					
Total Capital Funding	7	6,900,291.00	19,858,340.00	-	44,672	40,172	-	-	46,449,496.92	53,550,378.00	54,660,867.00

All capital grants that have been allocated to the municipality are conditional and are geared towards alleviation of basic services and infrastructure backlogs. These have been determined as per the Division of Revenue Act (DoRA).

The Municipal Infrastructure Grant (MIG) allocation of **R22.3 million** has been allocated to different infrastructure projects.

Project description	Amount	Status
PMU (Salaries, Operational expenses)	R1 115 900	Operational
Namahadi: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (4,7km)(Second km) (MIS:174361)	R3 678 180	Construction
Qalabotjha/Villiers: Rehabilitation of Sports Ground	R1 469 482	Construction
Namahadi/Frankfort: Construction of New Water Pipeline from Frankfort WTW to Namahadi Reservoir - 2 year project	R16 054 437	Construction
TOTAL CAPITAL EXPENDITURE	R22 317 999	

The roads and storm-water backlog facing the municipality is massive and standing at 224.54km and will invariably require a capital outlay of R225 million to eradicate. This backlog represents 68.59% of the total road network of 327.32 km that criss-crosses the municipal area.

The Water and Sanitation Infrastructure Grant (WSIG) allocation of **R15 million** has been budgeted for water pipe line and addressing water leaks around four towns of the municipality as follows:

Project Name	Funding Agent	Budget
Water Conversation and Water Demand Management (WC&WDM) – installation and replacement of water meters in Mafube municipality	DWS	R11 000 000.00
Construction of a 12ML Concrete Reservoir in Namahadi, Frankfort	DWS	R4 000 000.00
Total		R15 000 000.00

The Integrated National Electrification Grant (INEG) allocation of **R10.2 million** is earmarked for the electrification network for the 2020/2021 budget period. The Municipality will invest

R29.5 million in implementing the following key projects over the MTREF period and these projects include the following:

- Construction of 3 km 6.6KV Overhead line for R1.4 million;
- Electrification of 176 households in Matoding, Namahadi for R2.9 million;
- Electrification of 52 Infiles in Mafahlaneng, Tweeling for R0.8 million;
- Electrification of 50 households in Qalabotjha (Qalabotjha proper and Villiers Ext. 13) for R0.850 million;
- Upgrading of 5km MV Feeder line to Qalabotjha proper and Villiers Ext. 13 for R3.85 million; and
- Electrification of 15 households in Ntswanatsatsi, Cornelia for R0.255 million in 2021/2022 financial year.
- Electrification of 580 households in Namahadi Ext. 9 Phase 1 for R10.192 million in 2021/2022 financial year;
- Electrification of 120 households in Namahadi Ext. 9 Phase 2 for R2.04 million in 2022/2023 financial year; and
- Electrification of 417 households in Tweeling Ext. for R7.059 million in 2022/2023 financial year.

Intervention Projects

The Department of Water and Sanitation (DWS) will be making a significant investment of R164 million in our infrastructure to upgrade our bulk water infrastructure by extending the carrying capacity of the Frankfort Water Treatment Work, conducting ground water study and construction a water pipeline in Cornelia.

Multi Financial Years DWS Projects

Project Name	Funding Agent	Implementing Agent
Extension of the Frankfort Water Treatment Works Phase II	DWS	Rand Water
Groundwater study and construction in pipeline in Cornelia	DWS	Sedibeng Water

Capital expenditure with source of funding

Vote Description R thousand	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Capital Expenditure - Functional	1										
<i>Governance and administration</i>		2,239,788.00	132,490.00	-	7,450	2,950	-	-	-	-	3,000,000.00
Executive and council											
Finance and administration		2,239,788.00	132,490.00		7,450	2,950					3,000,000.00
Internal audit											
<i>Community and public safety</i>		-	-	-	680	680	-	-	1,469,482.00	1,077,390.00	1,256,500.00
Community and social services					400	400					
Sport and recreation					280	280			1,469,482.00	1,077,390.00	1,256,500.00
Public safety											
Housing											
Health											
<i>Economic and environmental services</i>		-	-	-	1,537	1,537	-	-	3,678,180.51	-	9,086,387.00
Planning and development											
Road transport					1,537	1,537			3,678,180.51	-	9,086,387.00
Environmental protection											
<i>Trading services</i>		-	222,559.00	-	24,505	24,505	-	-	36,330,437.41	51,859,510.00	40,589,614.00
Energy sources					5,000	5,000			5,276,000.00	10,192,000.00	9,099,000.00
Water management					17,163	17,163			31,054,437.41	41,667,510.00	31,490,614.00
Waste water management					2,342	2,342					
Waste management			222,559.00			-					
<i>Other</i>		4,660,503.00	19,503,291.00		10,500	10,500			15,397.00	613,478.00	728,366.00
Total Capital Expenditure - Functional	3	6,900,291.00	19,858,340.00	-	44,672	40,172	-	-	41,493,496.92	53,550,378.00	54,660,867.00
Funded by:											
National Government		4,660,503.00	19,503,291.00		36,822	36,822			41,493,496.92	53,550,378.00	54,660,867.00
Provincial Government											
District Municipality											
Transfers and subsidies - capital (monetary allocations) (National / Provincial)											
Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)											
Transfers recognised - capital	4	4,660,503.00	19,503,291.00	-	36,822	36,822	-	-	41,493,496.92	53,550,378.00	54,660,867.00
Borrowing	6										
Internally generated funds		2,239,788.00	355,049.00		7,850	3,350					
Total Capital Funding	7	6,900,291.00	19,858,340.00	-	44,672	40,172	-	-	41,493,496.92	53,550,378.00	54,660,867.00

As can be seen above, the municipality only made provision for grant-funded capital expenditure. The capital budget for the two outer years of the MTREF period has been set at R53.5 million and R54.6 million respectively.

Addressing infrastructural backlogs

Water

The municipality provides water services to 20 744 households and has a backlog of 176 households at Frankfort.

The municipality has installed 18 jojo tanks (13*10 000litres and 5*5000 litres) in Namahali and Ntswanatsatsi that are periodically filled by 5 water trucks. An estimated 2 253 households are benefiting from the installed water tanks.

An additional seven (7) 5 000 litres Jojo tanks have been delivered by Rand Water and the municipality is awaiting the building of slabs to mount the mentioned jojo tanks.

The construction 6.5 mega litres Concrete Reservoir is 94% complete and it is anticipated that its completion and commissioning will be by the end of this Financial Year. The project will increase the purified water storage capacity to address increasing demand for basic water services in the municipality. The municipality has invested R27.98 million.

The municipality provide basic sanitation services to 18 193 households and has a backlog of 2 727 households.

Sanitation

In Qalabotjha, the extension of the Waste Water Treatment Works has been completed and this is critical for the provision of effective basic sanitation services.

The refurbishment and the extension of Frankfort Waste Water Treat Works are proceeding well and are at 80% and 99% completion rate respectively.

In addition, as indicated, with an investment of R153.5 million, the Department of Water and Sanitation, will be upgrading and extending the capacity of Frankfort Waste Water Treatment Work.

The Extension of Frankfort Waste Water Treatment Work is 99% complete and the installation of a transformer to energise the Namahadi Sewer Pump Station should be expedited. The municipality has invested R67.8 million on the project. The project will minimise sewer spillages and improve our green drop status.

Roads and stormwater

The roads and storm-water backlog facing the municipality is massive and standing at 224.54km and will invariably require a capital outlay of R225 million to eradicate. This backlog represents 68.59% of the total road network of 327.32 km that criss-crosses the municipal area;

The Municipality will be investing R12.7 million in the MTREF period in upgrading the following roads and storm-water projects:

- Namahadi: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (4,7km) for R4.1 million
- Namahadi/Mamello: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (1.0km) for R8.5 million in 2022/2023 FY

Electricity

In terms of basic electricity access, total of 20 226 households have access with a backlog of 694 ervens as follows:

- 642 ervens in Namahadi
- 52 in Mafahlaneng

The electrification of 466 Households in Namahadi Ext. 8 Phomolong Phase 5 project funded by the Department of Energy is 100 complete.

392 households benefitting 1 194 members of our community have been energised and the remaining 74 households whose owners were not present will be subsequently be energised by Rural Maintenance, the electricity provision service provider of Mafube Local Municipality.

1.11 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH THE INTEGRATED DEVELOPMENT PLAN (IDP)

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realised through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan

future development in their areas and to find the best solutions to achieve sound long-term development goals. The municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of political incumbents. The plan aligns the

resources and capacity of a municipality to its overall developmental aims and guides the municipal budget. The IDP is therefore a key instrument which municipalities use to provide vision,

leadership and direction to all those who have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

The Constitution requires local government to relate its management, budgeting and planning

functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only

give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

The seven strategic objectives or key performance areas for the 2020/2023 MTREF and further

planning refinements that have directly informed the compilation of the budget, are as follows:

- KPA 1: Governance and Stakeholder Participation;
- KPA 2: Financial Sustainability;
- KPA 3: Institutional Transformation;
- KPA 4: Physical Infrastructure and Services;
- KPA 5: Planning and Economic Development;
- KPA 6: Safety and Environmental Management; and
- KPA 7: Social and Community Development.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities.

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by Mafube Municipality by identifying the key performance and focus areas to achieve the strategic objectives mentioned above.

The 2020/2021 to 2022/2023 MTREF has therefore been directly informed by the IDP revision process and supporting tables SA 4, 5 and 6 provide a reconciliation between the

IDP strategic objectives and operating revenue, operating expenditure and capital expenditure as below:

FS205 Mafube - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

2020/21 Medium Term Revenue & Expenditure Framework													
Strategic Objective	Goal	Goal Code	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23	
R thousand													
To ensure that the municipality broadly delivers service according to the strategic orientation based on key sector plans.	To ensure the provision of services to communities in a sustainable manner.				43,368		77,592	77,592		84,335	88,215	92,273	
To ensure that the municipality broadly delivers service according to the strategic orientation based on key sector plans.	To ensure the provision of services to communities in a sustainable manner.				13,694								
To ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA, relevant regulations and prescribed Treasury norms and standards	To provide democratic and accountable government for local communities.				28,805		19,374	19,374		157,561	167,903	177,894	
To build environmental sustainability and resilience	To promote a safe and healthy environment.				50		210	210		220	230	241	
To improve the administrative capability of the municipality.	To provide democratic and accountable government for local communities.				78,462		170,927						
Allocations to other priorities				2									
Total Revenue (excluding capital transfers and contributions)				1	–	200,324	–	268,103	97,176	–	242,117	256,347	270,407

FS205 Mafube - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

G205 Maidebe - Supporting Table SA3 Reconciliation of IDP Strategic Objectives and Budget (operating expenditure)													
Strategic Objective	Goal	Goal Code	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23	
R thousand													
To ensure universal access to reliable and quality basic municipal services by all.	To ensure the provision of services to communities in a sustainable manner.				171,591		57,715	57,715		102,075	106,770	111,682	
To create a conducive environment for improving local economic development.	To promote social and economic development.						250	250					
To ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA, relevant regulations and prescribed Treasury norms and standards	To provide democratic and accountable government for local communities.						12,812	12,812		215,398	225,306	235,670	
To capacitate and empower workforce.	To provide democratic and accountable government for local communities.						103,901	112,472					
To improve the administrative capability of the municipality.	To provide democratic and accountable government for local communities.						45,407	45,407		85,350	89,276	93,383	
To ensure transparency, accountability and regular engagements with communities and stakeholders.	To encourage the involvement of communities and community organisations in the matters of local government.						2,800	2,800		15,893	16,624	17,389	
Allocations to other priorities													
Total Expenditure				1	-	201,701	-	222,886	231,456,745.40	-	418,715	437,976	458,123

FS205 Mafube - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Supporting Table 6.1: Reconciliation of Budget: Strategic Objectives and Budget (Capital Expenditure)													
Strategic Objective	Goal	Goal Code	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23	
R thousand													
To ensure universal access to reliable and quality basic municipal services by all communities.	To ensure the provision of services to communities in a sustainable manner.	A					36,822	36,822	–	46,449	53,550	51,661	
To ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA, relevant regulations and prescribed Treasury norms and standards	To provide democratic and accountable government for local communities.	B					950	950	–	–	–	–	
To improve the administrative capability of the municipality.	To provide democratic and accountable government for local communities.	C					6,900	2,400	–	–	–	3,000	
Total Capital Expenditure				1	6,900	33,342	–	44,672	40,172	–	46,449	53,550	54,661

1.12 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Performance Management is a system intended to manage and monitor service delivery progress

against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has now developed and implemented a performance management system which is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which, in turn, is directly linked to individual employee's performance.

The Municipality is continuously ensuring that a culture of performance management is institutionalised. Therefore, performance agreements with senior management (Directors) are

concluded. This process will ensure that Integrated Development Planning objectives and key

performance indicators (KPI's) are owned and executed by the responsible directorates.

Furthermore, the Performance Audit Committee (as part of the Audit Committee) ensures that

Council is involved in the auditing of Non-Financial Performance information. A Performance Management Policy Framework also exists. This Policy Framework encapsulates the various processes, roles and responsibilities necessary to execute performance management and measurement.

SA 7 schedule illustrates Mafube Municipality's measurable performance objectives and indicators.

1.13 OVERVIEW OF BUDGET FUNDING INCLUDING FUNDING COMPLIANCE

National Treasury requires that the municipality assess its financial sustainability against fourteen

different measures that look at various aspects of the financial health of the municipality. These measures are contained in SA 10 of the attached Schedule A. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA.

1.14 MONTHLY TARGETS FOR REVENUE AND CASH FLOW

We carefully monitor the payment and collection rates and its unfortunate that the customer base of Mafube pays less than 18% of their billed accounts. Through the financial support and incentives envisaged (prepaid water meters) and through our new budget related policies developed we are hopeful that the payment rate will increase to more than 65% in the next financial year. See attached SA schedules 25 to 30.

1.15 LONG-TERM FINANCIAL SUSTAINABILITY

Financial sustainability over the long-term has to do with the maintenance of high priority expenditure programmes, both operating and capital, to ensure program sustainability and desired quality of services to be rendered. There must also be rates and service charges stability and predictability in the overall rate burden by ensuring reasonable rates and service charges to fund programmes. Fair sharing in the distribution of council resources and the attendant taxation between current and future ratepayers (intergenerational equity) must also be promoted to ensure that the current generation are not over-burdened for the use of infrastructure by future generations – in other words sound long-term financial management.

Based on the above three elements financial sustainability could be defined as follows:

*“A council’s **long-term financial performance and position** is **sustainable** where **planned longterm services and infrastructure levels and standards** are met **without unplanned increases in rates and service charges** or **disruptive cuts to services**.”*

Three key financial indicators or ratios were developed to influence long-term financial sustainability

planning and budgeting. They are:

- a) An **operating surplus ratio** to influence financial performance planning and budgeting;
- b) A **net financial liabilities ratio** to influence financial position planning and budgeting; and
- c) An **asset sustainability ratio** to influence asset management performance planning and budgeting.

1.16 MSCOA PROGRESS TO DATE

The Municipal Regulations on the Standard Chart of Accounts (mSCOA) was duly promulgated on 22 April 2014 and all municipalities were expected to be compliant by 1 July 2017. All relevant segments as prescribed by the regulation was implemented and the municipality is currently in the process of refining certain segments already in use in order to ensure that information will be disclosed as required in terms of version 6.4 as prescribed.

It should be noted that the municipality is not mSCOA compliant. All required in-year as well as annual data strings have been submitted successfully until December 2019 and the outdated data strings was as a results of non-functional of the ITC infrastructure(server).

1.17 LEGISLATION COMPLIANCE STATUS

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities

- **In year reporting**, Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor through finance portfolio committee (within 10 working days) has progressively

improved and includes monthly published financial performance on the Free state government website.

- **Internship programme,** The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns and they all undergoing training within various divisions of the Financial Services Department.
- **Budget and Treasury Office,** The Budget and Treasury Office has been established in accordance with the MFMA and it is headed by the Chief Financial Officer. The Budget steering committee was also established.
- **Audit and Risk Committees,** An Audit and Risk Committees have been established and are fully functional.
- **Service Delivery and Budget Implementation Plan,** The detail SDBIP document is at a draft stage and will be finalised after approval of the 2020/2021 MTREF in June 2020 directly aligned and informed by the 2020/21 MTREF.
- **Annual Report,** Annual report is compiled in terms of the MFMA and National Treasury requirements.

1.18 PROCUREMENT PLAN

In terms of Municipal Budget Circular No 94 for the 2019/20 MTREF, it is mentioned about slow

spending of capital budgets by most municipalities and the negative impact of this on service delivery. It was therefore required that all municipalities compile a procurement plan to address a

weak planning proces.

1.19 RECOMMENDATIONS

It is recommended that:

1.19.1 Council approves the final 2020/2021 to 2022/2023 Medium Term Revenue and Expenditure Framework attached as Annexure A to the item;

- 1.19.2 Council approves the final operating budget revenue of R242 116 614 for the 2020/2021 financial year as well as R 256 347 484 and R 270 407 343 for the two outer years respectively;
- 1.19.3 Council approves the final operating budget expenditure of R418 715 408 for the 2020/2021 financial year, R 437 976 316 for 2021/2022 and R 458 123 227 for 2022/2023;
- 1.19.4 Council approves the final capital budget expenditure funding sources of R42 594 000 for the 2020/2021, R 54 134 000 for 2021/22 as well as R 55 189 000;
- 1.19.5 Council to take note of the operating deficit of R176,5 million, R181,6 million and R187,7million for the 2020/21, 2021/22, 2022/23 respectively;
- 1.19.6 Council approves the final tariff increase of 4.5% across the board;
- 1.19.7 Council take note and approve that businesses that operate in residential sites will be charged using business tariffs;
- 1.19.8 Council take note and approve that all informal businesses will be required to apply for trading licenses, payable to the municipality as per the municipal tariff list;
- 1.19.9 Council approves the final budget related policies attached as Annexure B to the item;
- 1.19.9.1 Council takes note of the proposed salary total cost to municipality expenses of the Mayor, Speaker, Exco members, Portfolio committee chairpersons, Ordinary council members, Municipal Manager, Chief Financial Officer and Directors as set out in the final 2020/2021 to 2022/2023 MTREF Budget report;
- 1.19.9.2 That Council approves the Financial Turnaround Strategy that will ensure that the operating deficit is funded;
- 1.19.9.3 That the final annual budget be approved on/or before the start of the budget year in line with section 24, subsection 2(a) of the Municipal Finance Management.

1.20 APPENDICES

Appendix 1: MFMA Budget Circular No 98 dated 6 December 2019;

Appendix 2: MFMA Budget Circular No 99 dated 9 March 2020;

Appendix 3: Tariff List;

Appendix A: Final 2020/2021 to 2022/2023 MTREF (A schedule) and;

Appendix B: Final 2020/2021 budget related policies;



1.21 MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I..... Municipal Manager of Mafube Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name : _____

Municipal manager of Mafube Local Municipality (FS205)

Signature : _____

Date : _____

